

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Parish Bank and Trust Company** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **July 28, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated Outstanding.

The Parish Bank and Trust Company has made an outstanding effort to offer credit consistent with its size, financial capacity, location, and current economic conditions. The bank's efforts are primarily accomplished through the origination of small business and farm, residential real estate, and consumer loans. The loan-to-deposit ratio meets the standards for satisfactory performance. The bank makes a substantial majority of its loans within its assessment area. Lending to low- and moderate-income borrowers is strong. The geographic distribution of loans reflects a good dispersion throughout the assessment area. In addition, no CRA-related complaints have been received since the previous exam, and there is no evidence of any prohibited discriminatory lending practices, or policies intended to discourage loan applications. There are no legal or regulatory impediments which prohibit the bank from meeting the credit needs of its community.

DESCRIPTION OF INSTITUTION

The Parish Bank and Trust Company, with assets of \$18.75 million, is a family-owned bank. The bank operates one main office and a drive-up facility in Momence, Illinois. The bank's primary competitors are branches of Municipal Trust and Saving Bank, a \$215 million bank based in Bourbonnais, Illinois, and Kankakee Federal Savings Bank, a \$338 million thrift based in Kankakee, Illinois. Both branch offices are located in Momence, Illinois.

The bank offers agricultural, commercial, consumer, and residential real estate loans. Loans to small businesses and farms represent the largest portion of the bank's loan portfolio (38.43%), followed by real estate (37.49%) and consumer (13.27%) lending.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of five whole census tracts located in the eastern portion of Kankakee County. One census tract (number 110) is defined as a low-income and minority census tract, and the remaining four census tracts (101, 108, 109, and 111) are defined as middle-income.

According to 1990 census data, the population of the assessment area is 15,615. The median family income for the assessment area is \$28,804. Low-income families represent 27.9%, moderate-income families represent 19.7%, middle-income families represent 21.4%, and upper-income families represent 31% of the assessment area's population. Minorities represent approximately 27.1% of the assessment area's population.

According to census data, the housing stock of the assessment area is 63.3% owner occupied, 24.1% rental, and 12.6% vacant. The housing stock consists of 86.1% one-to-four family units, 2.1% five or more family units, and 10.6% mobile homes. Within the assessment area the median housing value is \$47,601. Community representatives stated that affordable housing is available in Kankakee County, but that prices are beginning to rise because of the encroaching Chicago suburbs.

The local economy, as described by community contacts, is continuing to improve. More businesses are moving into the county, and the unemployment rate has decreased. However, most of the growth is occurring outside of the bank's assessment area in Kankakee, Bourbonnais, and along Interstate 57. According to the Illinois Department of Employment Services, the unemployment rate in Kankakee County, as of May 1997, is 5.1%, which is higher than the state average of 4.8%. Unemployment has declined since May 1996, when Kankakee County's unemployment rate was 5.6%, and the state average was 5.5%. The local economy is driven by manufacturing and agriculture. One community contact stated that Kankakee County was recently named the *Number One Manufacturing Community* with less than 10,000 jobs in *Industry Week* magazine. The largest employers in Kankakee County include: Armour Pharmaceutical Co., a pharmaceutical company employing approximately 800 people; Armstrong World Industries, a vinyl tile manufacturer employing approximately 445 people; Henkel Corporation, a manufacturer employing approximately 400 people; and Heinz Pet Products, a pet food producer employing approximately 350 people.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank is in compliance with the substantive provisions of fair lending laws and regulations including the Equal Credit Opportunity Act, and the Fair Housing Act. The bank has an office in the Kankakee MSA (Metropolitan Statistical Area).

LOAN-TO-DEPOSIT RATIO

In order to assess the bank's performance in this category, an analysis was performed of its loan-to-deposit ratio over a specific time period, and a comparison was made of its loan-to-deposit ratio to that of other financial institutions and its peer group.

According to the March 31, 1997 Uniform Bank Performance Report (UBPR), the bank's loan-to-deposit ratio was 52.26%. This represents a decline of 4.85% from the loan-to-deposit ratio of 57.11%, noted in the previous report of examination. However, after adjusting for seasonal variations, the bank has not experienced a significant change in the amount of loans outstanding since the previous examination. As illustrated in the following chart, the bank's six-quarter average loan-to-deposit ratio was compared to that of two local banks within the assessment area and its peer group:

BANK	LOCATION	ASSET SIZE * (000)	12/95	3/96	6/96	9/96	12/96	3/97	LOAN-TO-DEPOSIT RATIO **
PARISH BANK AND TRUST COMPANY	Momence, IL	\$18,725	52.22%	50.61%	55.39%	54.45%	51.07%	52.26%	52.67%
1ST NATIONAL BANK OF GRANT PARK	Grant Park, IL	\$28,385	23.82%	29.90%	31.57%	31.82%	32.40%	33.18%	30.45%
MUNICIPAL TRUST AND SAVINGS BANK	Bourbonnais, IL	\$215,532	69.36%	68.65%	65.62%	67.84%	68.97%	68.50%	68.16%
PEER GROUP	N/A	N/A	66.03%	65.09%	68.57%	68.50%	67.77%	68.57%	67.42%

* Asset size based upon the March quarterly consolidated report of condition (Call report)

** Loan-to-Deposit Ratio is the average of the previous six quarters as reported on the Uniform Bank Performance Report (UBPR)

While the bank's loan-to-deposit ratio is lower than one of the local financial institutions and peer, there are compensating factors adversely impacting the ratio which support a satisfactory rating in this performance category.

The bank's ratio is influenced by slower growth in the eastern portion of Kankakee County, and competition from larger institutions operating branches in Momence. The Grant Park National Bank is the only lender servicing an area similar to Parish Bank and Trust, and it has a six quarter loan-to-deposit ratio of only 30.45%; while the Municipal Trust and Savings Bank, is based in Bourbonnais, an area of Kankakee County, experiencing a higher rate of growth. In addition, Parish Bank and Trust gets competition from Municipal Trust

and Savings Bank, as well as, Kankakee Federal Savings Bank. Both of these institutions, which are significantly larger than the Parish Bank and Trust, operate branch offices in Momence. Based upon this review, the bank meets the standards for satisfactory performance in this category.

LENDING IN ASSESSMENT AREA

Small business and farm, and consumer installment loans originated during the six-month period preceding the examination, as well as the examination sample, were reviewed in order to assess the bank's performance in this category. The sample revealed the following geographic distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Installment*	65	56	86.15%
Real Estate	10	9	90.00%
Single Payment	10	9	90.00%
Small Business & Farm*	160	118	73.75%
Total	245	192	78.37%

* six-month CRA sample

As the chart indicates, 78.37% of the loans sampled were made within the assessment area. A six-month sample of small business and farm, and consumer installment loans was reviewed and compared with the bank's current assessment area. Small business and farm loans have the highest loan volume, and represent the largest portion of the bank's loan portfolio; and consumer installment loans have the second highest loan volume. A sample of 160 small business and farm loans revealed that 118 or 73.75% were made within the assessment area; and a sample of 65 consumer installment loans indicated that 56 or 86.15% were made within the assessment area. Combining the two products sampled, a total of 77.33% (174 of 225) were made within the assessment area. In addition, 1996 HMDA data was reviewed and compared to the bank's assessment area. In 1996, the bank originated 97.06% (33 of 34) of its loans within its assessment area. Based upon this review, the bank exceeds the standards for satisfactory performance under this category.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Small business and farm, and consumer installment loans originated during the six month period preceding the examination, as well as the examination loan sample, were reviewed in order to review the bank's performance in this category.

The sample revealed the following distribution for loans with income information:

LOAN TYPE	LOW-INCOME Number of Loans	MODERATE- INCOME Number of Loans	MIDDLE- INCOME Number of Loans	UPPER-INCOME Number of Loans
Installment*	18	7	17	14
Real Estate	0	3	2	4
Single Payment	1	2	2	1
Total	19	12	21	19
Percent	26.76%	16.90%	29.58%	26.76%

* six-month CRA sample

The above chart reveals that 19 or 26.76% of the loans sampled were made to low- income borrowers, and 12 or 16.90% were made moderate-income borrowers. The percentage of the bank's originations to low- and moderate-income borrowers compares favorably to census data which reveals that 27.9% of the families in the bank's assessment area are classified as low-income, and 19.7% are classified as moderate-income.

A sample of 56 installment loans indicated that 18 or 32.14% of the loans were made to low-income borrowers, and 7 or 12.5% of the loans were made to moderate-income borrowers. The total installment lending to low- and moderate income borrowers by the bank is 44.64% (25 of 56). In addition, 1996 HMDA data was reviewed to evaluate the bank's record of lending to borrowers of different income levels. In 1996, 33.33% (11 of 33) of the bank's loans were originated to low- or moderate-income borrowers. These figures are reasonable as 47.60% of the families in the assessment area are described as either low-or moderate-income families.

Discussions with management and information contained in the June 30, 1996 Consolidated Report of Income (Call Report) indicates that a substantial majority of the bank's commercial and farm loans are made to small businesses and farms. The bank reported 124 commercial and industrial loans, 26 loans secured by nonfarm nonresidential properties, and 85 agricultural loans on the June 30, 1996 Call Report. Based upon this review, the bank exceeds the standards for satisfactory performance under this category.

Geographic Distribution of Loans

Small business and farm, and consumer installment loans originated during the six-month period preceding the examination, as well as the examination loan sample, were reviewed in order to evaluate the bank under this category. The bank's assessment area contains one low-income and four middle-income census tracts.

LOAN TYPE	LOW-INCOME CENSUS TRACT (110) Number of Loans	MIDDLE- INCOME CENSUS TRACTS (101,108, 109 and 111) Number of Loans
Installment*	13	43
Real Estate	1	8
Single Payment	1	8
Small Business*	9	109
Total	24	168
Percent	12.50%	87.50%

* six month CRA sample

The chart reveals that 12.50% (24 of 192) of the loans sampled were made to borrowers in the low-income census tract, 87.50% (168 of 192) were made to borrowers in middle-income census tracts. In addition, 1996 HMDA data indicates that 14.71% (5 of 34) of the bank's loans were originated in the low income census tract. Census data indicates that approximately 21% of the assessment area population lives in the low-income census tract.

While the geographic distribution of the bank's lending in its assessment area may not appear to be satisfactory, there are several compensating factors which support an outstanding rating in this performance category. Analysis of the bank's small business and farm, and consumer installment loan activity showed that the bank made loans in every census tract for the six-month period preceding the examination. The majority of loan activity takes place in census tract number 109, the same census tract as the bank's location. The sample of consumer installment loans indicated that 46% (26 of 56) of the loans were made in census tract number 109, and the sample of small business and farm loans indicated that 66.10% (78 of 118) of the loans were made in census tract number 109. It is reasonable to expect that the majority of loans would occur in census tracts located in close proximity to the bank. The low income census tract, number 110, lies approximately five miles south of the bank.

In addition, community representatives indicated that loan demand in the low-income census tract may not be strong for certain types of credit. For example, there is little commercial development, and the small farming plots are too small to support farm operating loans. The bank products most likely to appeal to residents in this census tract are small consumer loans; and the consumer installment loan sample indicated that 13 or 23.21% of the loans were made to borrowers living in the low-income census tract. Based upon this review, the bank exceeds the standards for satisfactory performance under this category.

Response to Complaints

No CRA-related complaints were received since the previous examination.